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Tax Assistance for Lower-Income Working Families

Today, many full-time jobs in California provide barely enough earnings for working families to stay above the poverty level, and more families than ever are finding it increasingly difficult to make ends meet. The number of hours worked by Californians is substantially higher than those worked by the rest of the country. Additionally, California's low-income individuals and families bear the heaviest burden from state and local taxes.

To help offset their tax burdens, lower-income working families may turn to the federal Earned Income Tax Credit (EITC). Enacted in 1975, the EITC was created as a refundable federal income tax credit designed to assist working individuals and families keep more of what they earn.

Eligibility: Eligibility for the EITC for the 2005 tax year and the amount of the credit allowable depend on the level of earned income. The credit is available to those whose 2005 income is under:

- \$11,750 (\$13,750 if married filing jointly) and who do not have a qualifying child
- \$31,030 (\$33,030 if married filing jointly) and who have one qualifying child
- \$35,263 (\$37,263 if married filing jointly) and who have more than one qualifying child

Additionally, all claimants must meet the following qualifications:

- Be a United States citizen or resident alien for the entire tax year
- Have a valid social security number
- Have earned income (generally wages, salaries, tips, and income from self-employment)
- Have investment income of \$2,700 or less (generally interest, dividends, and capital gains)
- Cannot file as "married filed separately"
- Cannot file IRS Form 2555 or 2555-EZ (relating to foreign earned income)
- Cannot be the qualifying child of another person for purposes of claiming the EITC

Definition of a "Qualifying Child": A qualifying child is one who lived with you in the United States for more than half of 2005 and may be your son, daughter, stepchild, eligible foster child, brother, sister, half brother, half sister, step brother, step sister, or any of these individual's descendants (e.g., your nieces, nephews, and grandchildren). However, the same qualifying child cannot be used by more than one person to claim the EITC. Additionally, your qualifying child must be either under the age of 19, under the age of 24 if a student, or permanently and totally disabled at any time during 2005 regardless of age.

If you do not have a qualifying child, you may still qualify for the EITC if you meet the above income and eligibility requirements and you are at least 25 years of age but under age 65; are not the dependent of another person; and you lived in the United States for more than one-half of the tax year.

Effect of the EITC on Other Public Benefits:

The EITC has no effect on the eligibility to receive certain public benefits. Any refund you receive as a result of the EITC is not considered income for purposes of determining eligibility for Medi-Cal, Supplemental Security Income (SSI), food stamps, or low-income housing.

Resources: To find out if you qualify to claim the EITC, you may consult the following:

- The United States Internal Revenue Service (IRS) website: www.irs.gov. The IRS provides an on-line EITC Assistant to help you determine whether you qualify. Please make sure you qualify before filing an EITC claim. A serious error could prevent you from claiming the EITC in subsequent years.
- IRS taxpayers' assistance offices. For the office located nearest you, visit www.irs.gov/localcontacts/index.html. You can also obtain a copy of IRS Publication 596, *Earned Income Credit*, by calling the IRS toll-free at 1-800-829-1040.
- The California Franchise Tax Board (FTB) website: www.ftb.ca.gov. On the FTB website, you can learn about the Volunteer Income Tax Assistance (VITA) program, which provides help with personal income tax returns free of charge to low- and moderate-income taxpayers.

This tax information is provided by Acting Board of Equalization Member Betty T. Yee, who represents the First Equalization District comprised of 21 counties in northern and central California.